

NORTH LINN COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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North Linn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Richard Balster	President	2007
Maureen McEvoy	Board Member	2009
Elizabeth Benesch	Board Member	2009
Debra Zumbach	Board Member	2009
James Meisheid	Board Member (Resigned)	2007
Brad Winn	Board Member (Appointed)	2007
Mark Waring	Board Member	2008
Douglas Winn	Board Member	2008
Board of Education (After September 2007 Election)		
Douglas Winn	President	2008
Elizabeth Benesch	Vice President	2009
Dan Buenz	Board Member	2010
Brad Winn	Board Member	2010
Maureen McEvoy	Board Member	2009
Debra Zumbach	Board Member	2009
Mark Waring	Board Member	2008
School Officials		
Larry Boer	Superintendent	2008
Marge Holub	Business Manager/ District Secretary	2008
Gruhn Law Firm	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Linn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Linn Community School District, Troy Mills, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Linn Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2009 on our consideration of the North Linn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Linn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Linn Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,686,111 in fiscal 2007 to \$6,410,395 in fiscal 2008, while General Fund expenditures increased from \$5,966,552 in fiscal 2007 to \$6,306,686 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$329,369 in fiscal 2007 to a balance of \$433,078 in fiscal 2008, a 31.5% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state sources in fiscal 2008. The increase in expenditures was due primarily to increases in salaries and benefits as well as increases in expenses funded by grants received by the District for fiscal 2008.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 5.59% for fiscal year 2007 to 5.84% for fiscal year 2008. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of North Linn Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Linn Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Linn Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

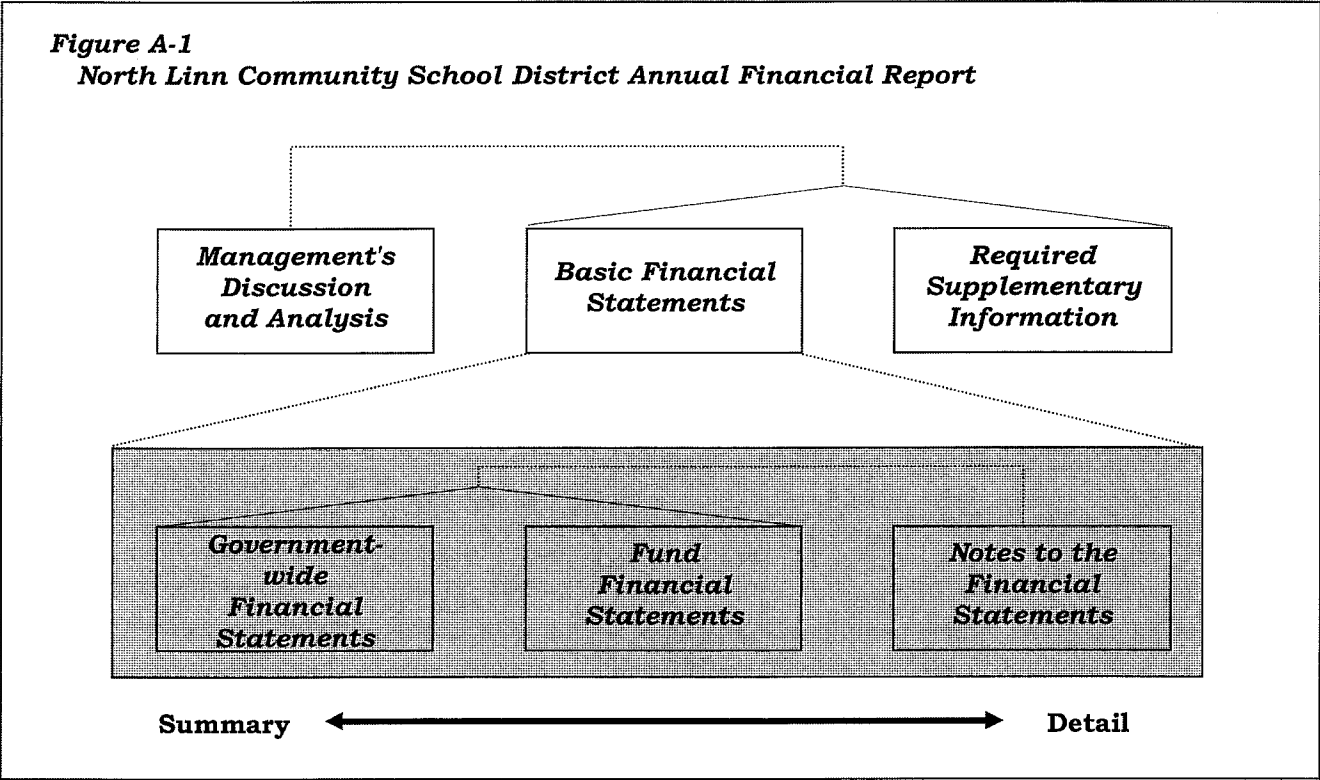


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund - The District accounts for outside donations and activities of various student groups in this fund for the purpose of awarding scholarships to graduating seniors.
 - Agency Fund - This is the fund through which the District administers and accounts for certain revenues and expenditures on behalf of other organizations.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 6,332,390	4,629,465	74,615	86,725	6,407,005	4,716,190	35.85%
Capital assets	3,998,308	4,085,132	26,007	29,513	4,024,315	4,114,645	-2.20%
Total assets	10,330,698	8,714,597	100,622	116,238	10,431,320	8,830,835	18.12%
Long-term obligations	2,567,976	2,796,406	0	0	2,567,976	2,796,406	-8.17%
Other liabilities	4,804,947	3,718,347	25,560	22,470	4,830,507	3,740,817	29.13%
Total liabilities	7,372,923	6,514,753	25,560	22,470	7,398,483	6,537,223	13.17%
Net assets:							
Invested in capital assets, net of related debt	1,603,308	1,455,132	26,007	29,513	1,629,315	1,484,645	9.74%
Restricted	926,699	401,786	0	0	926,699	401,786	130.64%
Unrestricted	427,768	342,926	49,055	64,255	476,823	407,181	17.10%
Total net assets	\$ 2,957,775	2,199,844	75,062	93,768	3,032,837	2,293,612	32.23%

The District's combined net assets increased by 32.23%, or \$739,225, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$524,913, or 130.64% over the prior year. This increase is mostly attributable to increases in fund balance for the Capital Projects and Physical Plant and Equipment Levy Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$69,642, or 17.10%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 494,517	503,954	197,827	194,779	692,344	698,733	-0.91%
Operating grants and contributions and restricted interest	957,386	656,465	113,121	109,507	1,070,507	765,972	39.76%
General revenues:							
Property tax	2,202,136	2,331,164	0	0	2,202,136	2,331,164	-5.53%
Income surtax	143,996	134,282	0	0	143,996	134,282	7.23%
Local option sales and services tax	650,353	97,363	0	0	650,353	97,363	567.97%
Unrestricted state grants	3,216,172	2,946,957	0	0	3,216,172	2,946,957	9.14%
Other	166,406	101,859	1,100	2,431	167,506	104,290	60.62%
Transfers	(6,085)	0	0	0	(6,085)	0	-100.00%
Total revenues and transfers	7,824,881	6,772,044	312,048	306,717	8,136,929	7,078,761	14.95%
Program expenses:							
Governmental activities:							
Instructional	4,564,278	4,209,354	0	0	4,564,278	4,209,354	8.43%
Support services	1,934,844	1,958,771	0	164	1,934,844	1,958,935	-1.23%
Non-instructional programs	0	0	330,754	303,043	330,754	303,043	9.14%
Other expenses	567,828	505,220	0	0	567,828	505,220	12.39%
Total expenses	7,066,950	6,673,345	330,754	303,207	7,397,704	6,976,552	6.04%
Change in net assets	757,931	98,699	(18,706)	3,510	739,225	102,209	623.25%
Beginning net assets	2,199,844	2,101,145	93,768	90,258	2,293,612	2,191,403	4.66%
Ending net assets	\$ 2,957,775	2,199,844	75,062	93,768	3,032,837	2,293,612	32.23%

Local tax (property tax, income surtax and local option sales and services tax) and unrestricted state grants account for 79.40% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.65% of the revenue from business type activities.

The District's total revenues were approximately \$8.14 million of which nearly \$7.83 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14.95% increase in revenues and a 6.04% increase in expenses. Unrestricted state grant revenues increased \$269,215 and local option sales and service tax increased \$552,990 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$7,824,881 and expenses were \$7,066,950. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,564,278	4,209,354	8.43%	3,382,744	3,302,952	2.42%
Support services	1,934,844	1,958,771	-1.22%	1,918,436	1,936,499	-0.93%
Other expenses	567,828	505,220	12.39%	313,867	273,475	14.77%
Totals	<u>\$ 7,066,950</u>	<u>6,673,345</u>	<u>5.90%</u>	<u>5,615,047</u>	<u>5,512,926</u>	<u>1.85%</u>

- The cost financed by users of the District's programs was \$494,517.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$957,386.
- The net cost of governmental activities was financed with \$2,202,136 in property tax, \$143,996 in income surtax, \$650,353 in local option sales and services tax, \$3,216,172 in unrestricted state grants and \$73,177 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$312,048 and expenses were \$330,754. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the North Linn Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,412,764, above last year's ending fund balances of a \$797,027. The primary reason for the increase in governmental fund balance can be attributed to the increase in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in state and federal grant revenues lent to the rise in fund revenues. The increase in revenues was more than enough to offset the increase in fund expenditures during the year to ensure the improvement of the General Fund.
- The Capital Projects Fund balance increased from \$122,384 in fiscal 2007 to \$615,248 in fiscal 2008. This increase was caused by the District receiving more local option sales tax in 2008 as compared to 2007. The District is now receiving local option sales and service tax from Linn, Benton and Delaware Counties.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$93,768 at June 30, 2007 to \$75,062 at June 30, 2008, representing a decrease of 19.95%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$155,347 more than budgeted revenues, a variance of 1.95%. The most significant variance resulted from the District receiving more in federal source revenues than originally anticipated.

Initially, total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$4,024,315, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.20% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$211,120.

The original cost of the District's capital assets was \$7,945,620. Governmental funds account for \$7,865,351 with the remainder of \$80,269 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$207,565 at June 30, 2007, compared to \$234,257 reported at June 30, 2008. The main factors attributable to the increase in machinery and equipment during the year resulted from the purchase of two new lawn mowers for the maintenance department and a new bus for the transportation department.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 30,487	30,487	0	0	30,487	30,487	0.00%
Buildings	3,602,039	3,700,863	0	0	3,602,039	3,700,863	-2.67%
Land improvements	157,532	175,730	0	0	157,532	175,730	-10.36%
Machinery and equipment	208,250	178,052	26,007	29,513	234,257	207,565	12.86%
Total	\$ 3,998,308	4,085,132	26,007	29,513	4,024,315	4,114,645	-2.20%

Long-Term Debt

At June 30, 2008, the District had \$2,567,976 in general obligation and other long-term debt outstanding. This represents a decrease of 8.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$2,395,000 at June 30, 2008.

The District had early retirement payable of \$172,976 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,395,000	2,630,000	-8.9%
Early retirement	172,976	166,406	3.9%
Totals	\$ 2,567,976	2,796,406	-8.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase North Linn Community Schools' employer benefit costs significantly over the next few years.
- On the District's October 2008 certified enrollment, the District showed a decrease of 5.9 resident students on Line 1. If this trend would continue in this direction, it would not lend to the financial stability of the District.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marge Holub, Business Manager, North Linn Community School District, 3033 Lynx Drive, P.O. Box 200, Troy Mills, Iowa, 52344.

BASIC FINANCIAL STATEMENTS

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,778,071	0	1,778,071
Other	1,867,664	66,671	1,934,335
Receivables:			
Property tax:			
Delinquent	34,998	0	34,998
Succeeding year	2,247,593	0	2,247,593
Income surtax	121,377	0	121,377
Interfund	52	(52)	0
Accounts	7,917	119	8,036
Accrued ISCAP interest (Note 5)	10,555	0	10,555
Due from other governments	264,163	0	264,163
Inventories	0	7,877	7,877
Capital assets, net of accumulated depreciation (Note 6)	3,998,308	26,007	4,024,315
TOTAL ASSETS	10,330,698	100,622	10,431,320
LIABILITIES			
Accounts payable	247,095	91	247,186
Salaries and benefits payable	500,940	22,001	522,941
Accrued interest payable	6,698	0	6,698
ISCAP warrants payable (Note 5)	1,767,000	0	1,767,000
ISCAP accrued interest payable (Note 5)	10,362	0	10,362
ISCAP unamortized premium	22,354	0	22,354
Deferred revenue:			
Succeeding year property tax	2,247,593	0	2,247,593
Other	2,905	0	2,905
Unearned revenue	0	3,468	3,468
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	240,000	0	240,000
Early retirement payable	83,109	0	83,109
Portion due after one year:			
General obligation bonds payable	2,155,000	0	2,155,000
Early retirement payable	89,867	0	89,867
TOTAL LIABILITIES	7,372,923	25,560	7,398,483
NET ASSETS			
Invested in capital assets, net of related debt	1,603,308	26,007	1,629,315
Restricted for:			
Debt service	4,217	0	4,217
Beginning teacher mentoring	4,217	0	4,217
Market factor	1,707	0	1,707
Phase III	1,717	0	1,717
State-wide voluntary preschool	333	0	333
Market factor incentives	49,782	0	49,782
Physical plant and equipment levy	136,058	0	136,058
Capital projects	615,248	0	615,248
Other special revenue purposes	113,420	0	113,420
Unrestricted	427,768	49,055	476,823
TOTAL NET ASSETS	\$ 2,957,775	75,062	3,032,837

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern-mental Activities	Business-Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,054,620	243,267	665,507	(2,145,846)	0	(2,145,846)
Special instruction	772,213	71,525	37,918	(662,770)	0	(662,770)
Other instruction	737,445	163,317	0	(574,128)	0	(574,128)
	<u>4,564,278</u>	<u>478,109</u>	<u>703,425</u>	<u>(3,382,744)</u>	<u>0</u>	<u>(3,382,744)</u>
Support services:						
Student services	129,828	0	0	(129,828)	0	(129,828)
Instructional staff services	250,903	0	0	(250,903)	0	(250,903)
Administration services	648,125	0	0	(648,125)	0	(648,125)
Operation and maintenance of plant services	589,265	0	0	(589,265)	0	(589,265)
Transportation services	316,723	16,408	0	(300,315)	0	(300,315)
	<u>1,934,844</u>	<u>16,408</u>	<u>0</u>	<u>(1,918,436)</u>	<u>0</u>	<u>(1,918,436)</u>
Other expenditures:						
Facilities acquisitions	97,634	0	0	(97,634)	0	(97,634)
Long-term debt interest	87,242	0	0	(87,242)	0	(87,242)
AEA flowthrough	253,961	0	253,961	0	0	0
Depreciation(unallocated)*	128,991	0	0	(128,991)	0	(128,991)
	<u>567,828</u>	<u>0</u>	<u>253,961</u>	<u>(313,867)</u>	<u>0</u>	<u>(313,867)</u>
Total governmental activities	<u>7,066,950</u>	<u>494,517</u>	<u>957,386</u>	<u>(5,615,047)</u>	<u>0</u>	<u>(5,615,047)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	330,754	197,827	113,121	0	(19,806)	(19,806)
Total	<u>\$ 7,397,704</u>	<u>692,344</u>	<u>1,070,507</u>	<u>(5,615,047)</u>	<u>(19,806)</u>	<u>(5,634,853)</u>
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,840,521	0	1,840,521
Debt service				265,345	0	265,345
Capital outlay				96,270	0	96,270
Income surtax				143,996	0	143,996
Local option sales and services				650,353	0	650,353
Unrestricted state grants				3,216,172	0	3,216,172
Unrestricted investment earnings				73,177	1,100	74,277
Gain on sale of equipment				1,860	0	1,860
Other				91,369	0	91,369
Transfers				(6,085)	0	(6,085)
Total general revenues and transfers				<u>6,372,978</u>	<u>1,100</u>	<u>6,374,078</u>
Changes in net assets				757,931	(18,706)	739,225
Net assets beginning of year				<u>2,199,844</u>	<u>93,768</u>	<u>2,293,612</u>
Net assets end of year				<u>\$ 2,957,775</u>	<u>75,062</u>	<u>3,032,837</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,778,071	0	1,778,071
Other	996,401	871,263	1,867,664
Receivables:			
Property tax:			
Delinquent	26,095	8,903	34,998
Succeeding year	1,938,923	308,670	2,247,593
Income surtax	121,377	0	121,377
Interfund	52	5,758	5,810
Accounts	7,750	167	7,917
Accrued ISCAP interest(Note 5)	10,555	0	10,555
Due from other governments	162,657	101,506	264,163
TOTAL ASSETS	\$ 5,041,881	1,296,267	6,338,148
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 5,758	0	5,758
Accounts payable	239,184	7,911	247,095
Salaries and benefits payable	500,940	0	500,940
ISCAP warrants payable(Note 5)	1,767,000	0	1,767,000
ISCAP accrued interest payable(Note 5)	10,362	0	10,362
ISCAP unamortized premium	22,354	0	22,354
Deferred revenue:			
Succeeding year property tax	1,938,923	308,670	2,247,593
Income surtax	121,377	0	121,377
Other	2,905	0	2,905
Total liabilities	4,608,803	316,581	4,925,384
Fund balances:			
Reserved for:			
Debt service	0	4,217	4,217
Beginning teacher mentoring	1,707	0	1,707
Market factor	1,717	0	1,717
Phase III	333	0	333
State-wide voluntary preschool	49,782	0	49,782
Market factor incentives	5,305	0	5,305
Unreserved	374,234	975,469	1,349,703
Total fund balances	433,078	979,686	1,412,764
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,041,881	1,296,267	6,338,148

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 1,412,764
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,998,308
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	121,377
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,698)
Long-term liabilities, including general obligation bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,567,976)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 2,957,775</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,785,913	1,210,572	2,996,485
Tuition	294,485	0	294,485
Other	155,142	209,536	364,678
State sources	4,029,454	463	4,029,917
Federal sources	143,541	0	143,541
Total revenues	6,408,535	1,420,571	7,829,106
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,920,627	87,124	3,007,751
Special instruction	772,213	0	772,213
Other instruction	568,208	176,488	744,696
	4,261,048	263,612	4,524,660
Support services:			
Student services	129,828	0	129,828
Instructional staff services	201,779	49,124	250,903
Administration services	661,484	3,654	665,138
Operation and maintenance of plant services	524,532	78,385	602,917
Transportation services	274,054	75,250	349,304
	1,791,677	206,413	1,998,090
Other expenditures:			
Facilities acquisitions	0	109,603	109,603
Long-term debt:			
Principal	0	235,000	235,000
Interest and fiscal charges	0	87,830	87,830
AEA flowthrough	253,961	0	253,961
	253,961	432,433	686,394
Total expenditures	6,306,686	902,458	7,209,144
Excess of revenues over expenditures	101,849	518,113	619,962
Other financing sources(uses):			
Transfer in	0	41,576	41,576
Transfer out	0	(47,661)	(47,661)
Sale of equipment	1,860	0	1,860
Total other financing sources(uses)	1,860	(6,085)	(4,225)
Net change in fund balances	103,709	512,028	615,737
Fund balance beginning of year	329,369	467,658	797,027
Fund balance end of year	\$ 433,078	979,686	1,412,764

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 615,737

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 118,572	
Depreciation expense	<u>(205,396)</u>	(86,824)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets	235,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	588
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early retirement	<u>(6,570)</u>

Changes in net assets of governmental activities (page 15)	<u><u>\$ 757,931</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 66,671
Receivables:	
Accounts	119
Inventories	7,877
Capital assets, net of accumulated depreciation (Note 6)	26,007
TOTAL ASSETS	<u>100,674</u>
LIABILITIES	
Interfund payable	52
Accounts payable	91
Salaries and benefits payable	22,001
Unearned revenue	3,468
TOTAL LIABILITIES	<u>25,612</u>
NET ASSETS	
Invested in capital assets	26,007
Unrestricted	49,055
TOTAL NET ASSETS	<u>\$ 75,062</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 197,827
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	130,657
Benefits	18,088
Services	1,389
Supplies	174,896
Depreciation	5,724
TOTAL OPERATING EXPENSES	<u>330,754</u>
OPERATING LOSS	<u>(132,927)</u>
NON-OPERATING REVENUES:	
State sources	3,789
Federal sources	109,332
Interest income	1,100
TOTAL NON-OPERATING REVENUES	<u>114,221</u>
Change in net assets	(18,706)
Net assets beginning of year	<u>93,768</u>
Net assets end of year	<u>\$ 75,062</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 191,873
Cash received from miscellaneous operating activities	6,815
Cash payments to employees for services	(146,706)
Cash payments to suppliers for goods or services	(161,582)
Net cash used in operating activities	<u>(109,600)</u>
Cash flows from non-capital financing activities:	
Interfund loan due to General Fund	52
State grants received	3,789
Federal grants received	93,061
Net cash provided by non-capital financing activities	<u>96,902</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(2,218)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,100</u>
Net decrease in cash and cash equivalents	(13,816)
Cash and cash equivalents at beginning of year	<u>80,487</u>
Cash and cash equivalents at end of year	<u><u>\$ 66,671</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (132,927)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,271
Depreciation	5,724
Increase in inventories	(1,639)
Increase in accounts payable	71
Increase in accounts receivable	(119)
Increase in salaries and benefits payable	2,039
Increase in unearned revenue	980
Net cash used in operating activities	<u><u>\$ (109,600)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 66,671</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$16,271.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	<u>\$ 18,271</u>	<u> 114</u>
LIABILITIES		
Due to other groups	<u> 0</u>	<u> 114</u>
NET ASSETS		
Reserved for scholarships	<u><u>\$ 18,271</u></u>	<u><u> 0</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 1,027
Deductions:	
Instruction:	
Scholarships awarded	2,100
Deficiency of additions under deductions before other financing sources	(1,073)
Other financing sources:	
Transfer in	6,085
Change in net assets	5,012
Net assets beginning of year	13,259
Net assets end of year	\$ 18,271

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The North Linn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Walker, Troy Mills and Coggon, Iowa, and the predominate agricultural territory in Benton, Buchanan, Delaware and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Linn Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Linn Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton, Buchanan, Delaware and Linn Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on a cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, District expenditures in the non-instructional function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2008, the District had no investments.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 41,576
Private Purpose Trust	Special Revenue: Student Activity	<u>6,085</u>
Total		<u>\$ 47,661</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 52
Special Revenue: Physical Plant & Equipment Levy	General	<u>5,758</u>
Total		<u>\$ 5,810</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/2008	1/23/2009	\$ 676,164	10,137	674,000	10,040
2008-09A	6/26/2008	6/25/2009	1,101,907	418	1,093,000	322
Total			<u>\$ 1,778,071</u>	<u>10,555</u>	<u>1,767,000</u>	<u>10,362</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no advance activity during the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,487	0	0	30,487
Total capital assets not being depreciated	30,487	0	0	30,487
Capital assets being depreciated:				
Buildings	5,894,426	11,969	0	5,906,395
Land improvements	519,364	0	0	519,364
Machinery and equipment	1,341,102	106,603	38,600	1,409,105
Total capital assets being depreciated	7,754,892	118,572	38,600	7,834,864
Less accumulated depreciation for:				
Buildings	2,193,563	110,793	0	2,304,356
Land improvements	343,634	18,198	0	361,832
Machinery and equipment	1,163,050	76,405	38,600	1,200,855
Total accumulated depreciation	3,700,247	205,396	38,600	3,867,043
Total capital assets being depreciated, net	4,054,645	(86,824)	0	3,967,821
Governmental activities capital assets, net	\$ 4,085,132	(86,824)	0	3,998,308

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 80,960	2,218	2,909	80,269
Less accumulated depreciation	51,447	5,724	2,909	54,262
Business-type activities capital assets, net	\$ 29,513	(3,506)	0	26,007

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 21,886
Other		3,752
Support services:		
Administration		1,400
Operation and maintenance of plant		4,488
Transportation		44,879
		<u>76,405</u>
Unallocated depreciation		<u>128,991</u>
Total governmental activities depreciation expense		<u>\$ 205,396</u>
Business-type activities:		
Food service operations		<u>\$ 5,724</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,630,000	0	235,000	2,395,000	240,000
Early retirement	166,406	71,974	65,404	172,976	83,109
Total	<u>\$ 2,796,406</u>	<u>71,974</u>	<u>300,404</u>	<u>2,567,976</u>	<u>323,109</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.75 %	\$ 240,000	80,380	320,380
2010	3.85	255,000	73,180	328,180
2011	3.75	260,000	65,275	325,275
2012	3.85	270,000	56,955	326,955
2013	3.75	280,000	48,180	328,180
2014	3.85	290,000	38,800	328,800
2015	3.75	300,000	28,940	328,940
2016	3.75	310,000	18,440	328,440
2017	3.75	190,000	7,125	197,125
Total		<u>\$ 2,395,000</u>	<u>417,275</u>	<u>2,812,275</u>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees, administrators and board secretary. This voluntary early retirement plan is offered annually at the Board's discretion. Eligible employees must have been at least age fifty-five and have completed twenty years of consecutive

service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-third of the employee's contracted teaching salary. Contracted extra-curricular salary, Phase II, Phase III, and Teacher Quality payments are excluded from the salary schedule for determining the employee's contracted salary. In addition to the cash payment, the retiree will receive \$400 per month deposited into a Health Reimbursement Account to be used for eligible medical expenses as defined by IRS Code 213. Employees will receive early retirement benefits in two payments the year following separation from the District. Early retirement benefits paid during the year ended June 30, 2008 totaled \$65,404.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$232,649, \$215,307, and \$207,642 respectively, equal to the required contributions for each year.

(9) Risk Management

North Linn Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$253,961 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,655,648	198,927	3,854,575	3,787,478	3,787,478	67,097
State sources	4,029,917	3,789	4,033,706	3,950,829	3,950,829	82,877
Federal sources	143,541	109,332	252,873	247,500	247,500	5,373
Total revenues	7,829,106	312,048	8,141,154	7,985,807	7,985,807	155,347
Expenditures:						
Instruction	4,524,660	0	4,524,660	4,815,947	4,815,947	291,287
Support services	1,998,090	0	1,998,090	2,192,500	2,192,500	194,410
Non-instructional programs	0	330,754	330,754	325,000	325,000	(5,754)
Other expenditures	686,394	0	686,394	1,134,869	1,134,869	448,475
Total expenditures	7,209,144	330,754	7,539,898	8,468,316	8,468,316	928,418
Excess(deficiency) of revenues over(under) expenditures	619,962	(18,706)	601,256	(482,509)	(482,509)	1,083,765
Other financing uses, net	(4,225)	0	(4,225)	0	0	(4,225)
Excess(deficiency) of revenues over(under) expenditures	615,737	(18,706)	597,031	(482,509)	(482,509)	1,079,540
Balance beginning of year	797,027	93,768	890,795	618,296	618,296	272,499
Balance end of year	\$ 1,412,764	75,062	1,487,826	135,787	135,787	1,352,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, District expenditures in the non-instructional function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Nonmajor Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	
ASSETS							
Cash and pooled investments	\$ 107,587	114,582	135,352	357,521	513,742	0	871,263
Receivables:							
Property tax:							
Current year delinquent	3,156	0	1,530	4,686	0	4,217	8,903
Succeeding year	210,000	0	98,670	308,670	0	0	308,670
Interfund	0	0	5,758	5,758	0	0	5,758
Accounts	0	167	0	167	0	0	167
Due from other governments	0	0	0	0	101,506	0	101,506
TOTAL ASSETS	\$ 320,743	114,749	241,310	676,802	615,248	4,217	1,296,267
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 0	1,329	6,582	7,911	0	0	7,911
Deferred revenue:							
Succeeding year property tax	210,000	0	98,670	308,670	0	0	308,670
Total liabilities	210,000	1,329	105,252	316,581	0	0	316,581
Fund balances:							
Reserved for debt service	0	0	0	0	0	4,217	4,217
Unreserved fund balances	110,743	113,420	136,058	360,221	615,248	0	975,469
Total fund balances	110,743	113,420	136,058	360,221	615,248	4,217	979,686
TOTAL LIABILITIES AND FUND BALANCES	\$ 320,743	114,749	241,310	676,802	615,248	4,217	1,296,267

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds						Total
			Physical				Other
	Manage-	Student	Plant &	Total	Capital	Debt	Nonmajor
	ment	Activity	Equipment	Special	Projects	Service	Governmental
	Levy		Levy	Revenue			Funds
REVENUES:							
Local sources:							
Local tax	\$ 198,604	0	96,270	294,874	650,353	265,345	1,210,572
Other	2,600	174,942	998	178,540	30,306	690	209,536
State sources	164	0	80	244	0	219	463
TOTAL REVENUES	201,368	174,942	97,348	473,658	680,659	266,254	1,420,571
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	87,124	0	0	87,124	0	0	87,124
Other instruction	0	176,488	0	176,488	0	0	176,488
Support services:							
Instructional staff	0	0	2,108	2,108	47,016	0	49,124
Administration services	2,479	0	1,175	3,654	0	0	3,654
Operation and maintenance of plant services	78,385	0	0	78,385	0	0	78,385
Student transportation	0	0	250	250	75,000	0	75,250
Other expenditures:							
Facilities acquisition	0	0	85,400	85,400	24,203	0	109,603
Long-term debt:							
Principal	0	0	0	0	0	235,000	235,000
Interest and fiscal charges	0	0	0	0	0	87,830	87,830
TOTAL EXPENDITURES	167,988	176,488	88,933	433,409	146,219	322,830	902,458
Excess(Deficiency) of revenues over(under) expenditures	33,380	(1,546)	8,415	40,249	534,440	(56,576)	518,113
Other financing sources(uses):							
Transfer in	0	0	0	0	0	41,576	41,576
Transfer out	0	(6,085)	0	(6,085)	(41,576)	0	(47,661)
Total other financing sources(uses)	0	(6,085)	0	(6,085)	(41,576)	41,576	(6,085)
Change in fund balance	33,380	(7,631)	8,415	34,164	492,864	(15,000)	512,028
Fund balance beginning of year	77,363	121,051	127,643	326,057	122,384	19,217	467,658
Fund balance end of year	\$ 110,743	113,420	136,058	360,221	615,248	4,217	979,686

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Inter- fund Transfers	Balance End of Year
Track	\$ 0	5,248	4,981	0	267
Golf	64	1,022	445	0	641
Boys Basketball	2,954	4,000	2,031	0	4,923
Football	2,739	6,369	5,161	0	3,947
Baseball	424	5,228	4,235	0	1,417
Wrestling	3,805	32,899	31,297	0	5,407
Girls Basketball	3,096	5,991	4,312	0	4,775
Volleyball	3,093	2,631	3,591	0	2,133
Softball	(329)	5,906	4,633	0	944
Class of 2007	260	998	0	0	1,258
Class of 2008	2,944	104	3,048	0	0
Class of 2009	0	13,158	10,277	0	2,881
Speech	168	645	813	0	0
Vocal Music	2,748	2,171	2,714	0	2,205
Instrumental Music	51	3,182	3,295	0	(62)
Entrepreneurship	517	0	0	0	517
Publication	11,868	7,889	8,137	0	11,620
Cheerleaders	51	1,715	747	0	1,019
Pom Pom Squad	30	0	0	0	30
Peer Groups	581	0	510	0	71
National Honor Society	1,111	975	195	0	1,891
HS Student Council	11,855	4,634	2,564	0	13,925
FFA	7,346	42,514	38,101	0	11,759
FCCLA	442	539	534	0	447
Mills Br. Scholarship	852	0	0	(852)	0
Weight Room	984	3,864	0	0	4,848
MS Student Council	29,069	16,989	16,442	0	29,616
FBLA	0	1,146	1,146	0	0
JH Society	317	706	415	0	608
Coggon Store	778	0	778	0	0
Walker Store	849	0	849	0	0
School Pictures	6,904	0	6,904	0	0
Now Interest	9,558	1,854	5,304	0	6,108
Recycling Program - Coggon	7,227	2,169	9,171	0	225
Recycling Program - Walker	3,462	396	3,858	0	0
McKinley Scholarship	5,233	0	0	(5,233)	0
Total	\$ 121,051	174,942	176,488	(6,085)	113,420

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2008

Private Purpose Trust - Scholarship Fund				
	Mills Scholarship	McKinley Scholarship	Kinley Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 804	5,588	11,879	18,271
LIABILITIES				
	0	0	0	0
NET ASSETS				
Reserved for scholarships	\$ 804	5,588	11,879	18,271

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund			
	Mills Scholarship	McKinley Scholarship	Kinley Scholarship	Total
ADDITIONS:				
Local sources:				
Interest income	\$ 52	355	620	1,027
DEDUCTIONS:				
Instruction:				
Regular instruction:				
Scholarships awarded	100	0	2,000	2,100
Excess(deficiency) of additions over(under) deductions	(48)	355	(1,380)	(1,073)
Other financing sources:				
Transfers in	852	5,233	0	6,085
Changes in net assets	804	5,588	(1,380)	5,012
Net assets beginning of year	0	0	13,259	13,259
Net assets end of year	\$ 804	5,588	11,879	18,271

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 19,806	9,892	29,584	114
LIABILITIES				
Accounts payable	\$ 1,660	0	1,660	0
Due to other groups	18,146	11,552	29,584	114
TOTAL LIABILITIES	\$ 19,806	11,552	31,244	114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	2,996,485	2,441,432	2,406,429	2,356,926	2,318,829
Tuition		294,485	289,849	292,486	237,936	198,987
Other		364,678	314,405	238,821	319,973	252,767
State sources		4,029,917	3,468,493	3,328,149	3,268,618	3,050,813
Federal sources		143,541	132,745	146,804	127,656	146,379
<hr/>						
Total	\$	7,829,106	6,646,924	6,412,689	6,311,109	5,967,775
<hr/>						
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	3,007,751	2,840,464	2,791,580	2,461,292	2,534,032
Special instruction		772,213	815,700	704,901	639,555	754,462
Other instruction		744,696	597,184	425,199	641,595	475,431
Support services:						
Student services		129,828	122,142	128,534	123,198	115,550
Instructional staff services		250,903	206,936	199,810	232,046	186,579
Administration services		665,138	681,308	606,137	549,813	541,624
Operation and maintenance of plant services		602,917	595,059	601,239	592,889	506,464
Transportation services		349,304	283,171	351,768	258,706	219,151
Central support services		0	0	0	0	300
Other expenditures:						
Facilities acquisitions		109,603	159,217	147,017	91,831	131,972
Long-term debt:						
Principal		235,000	225,000	225,000	215,000	195,000
Interest		87,830	94,580	101,330	107,780	124,574
AEA flow-through		253,961	231,745	219,341	217,479	214,176
<hr/>						
Total	\$	7,209,144	6,852,506	6,501,856	6,131,184	5,999,315
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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
North Linn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Linn Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Linn Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Linn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Linn Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Linn Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of North Linn Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Linn Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by North Linn Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Linn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Linn Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit North Linn Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Linn Community School District and other parties to whom North Linn Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Linn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2009

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal control through the segregation of duties. We noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information. A small staff makes it difficult to establish an ideal system of internal control, but the District has taken steps to segregate duties between current personnel.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- I-B-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - We will review our procedures and implement changes in order to comply with the Department of Labor requirements.

Conclusion - Response accepted.

- I-C-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There is a Now Interest account in the Student Activity Fund. Moneys in this account should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Student Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

The Student Activity Fund had a Class of 2007 account. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts or used as start up funds for the next incoming class.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review our procedures and make sure that revenues and expenses are being recorded in the proper fund. Remaining funds from the graduating accounts will be moved to the student council account.

Conclusion - Response accepted.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 exceeded the amount budgeted in the non-instructional programs function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will continue to monitor the budget through out the year and amend as required.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit with Linn County State Bank.

Recommendation - The District should contact the bank and request that the certificate of deposit be changed to receive the proper interest rate along with any interest that was not received while the certificate of deposit was receiving the improper rate.

Response - The District contacted Linn County State Bank and the interest rate was updated to reflect the proper interest rate along with back interest due to the District.

Conclusion - Response accepted.

- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.